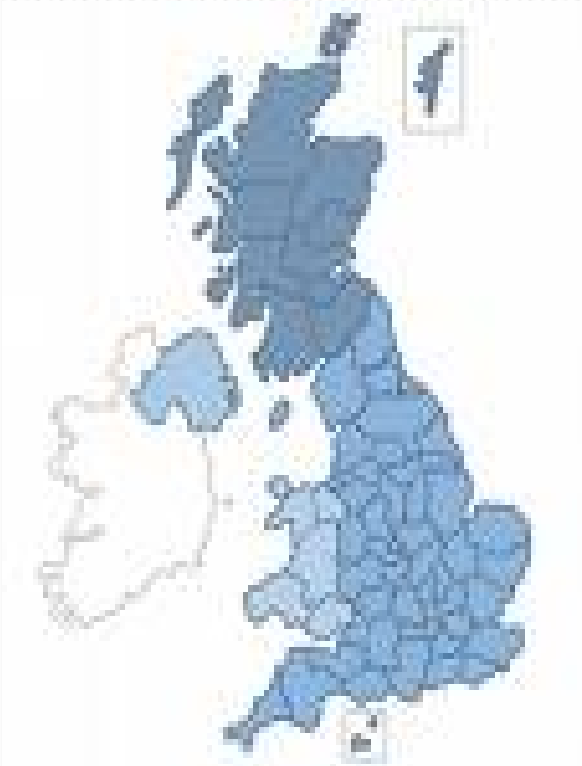


The Dangers of Alcohol Deregulation: The United Kingdom Experience

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Phoenix, Arizona

The United Kingdom's crisis



- *“Quite simply, England is drinking far too much. England has an alcohol problem.”*
Sir Liam Donaldson, Chief Medical Advisor, UK
- The epidemic includes high rates of consumption, heavy youth intoxication, large increases in alcohol induced disease, and major public disorder around pubs and clubs.
- This is not their first alcohol epidemic. History repeats itself starting with the Gin Craze of 1690.

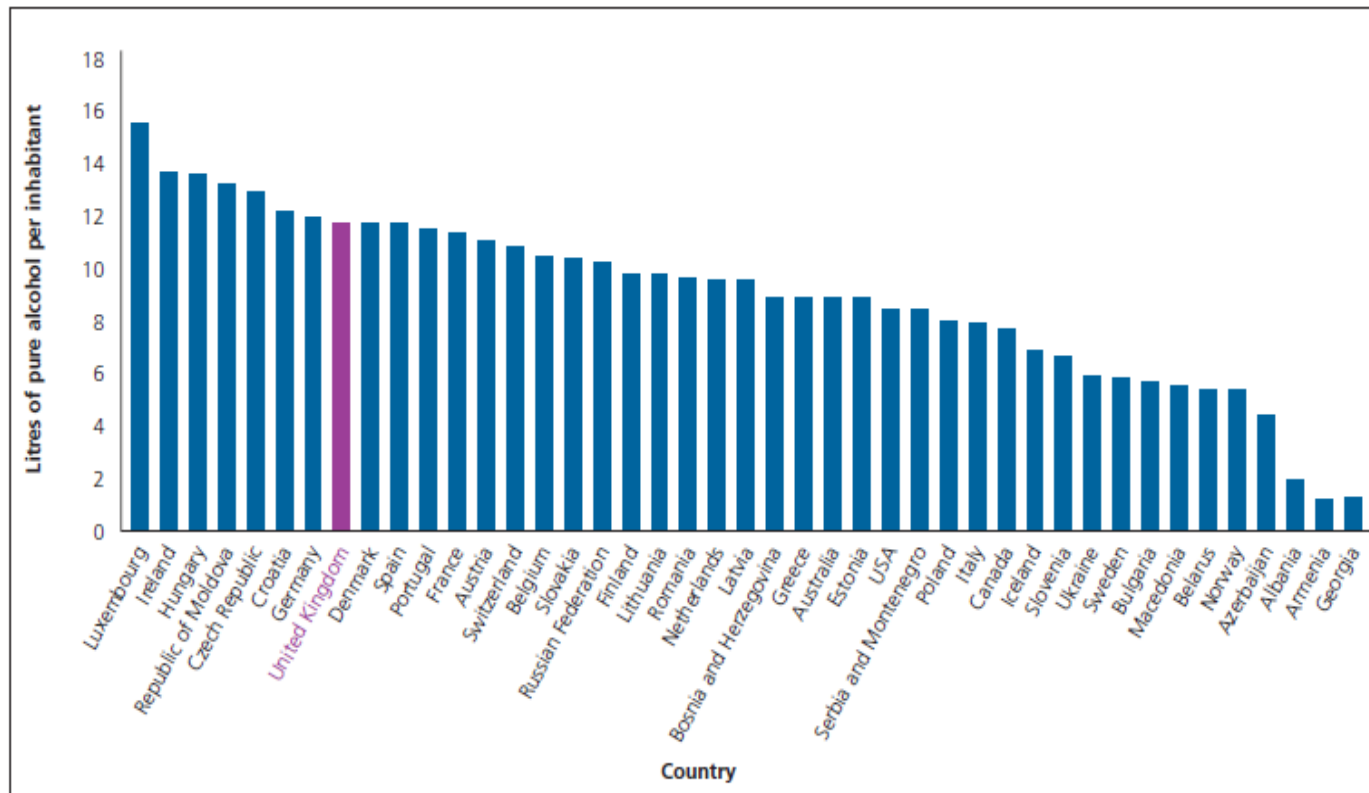
Could it happen to us?



- We are similar in culture, government, business, and drinking patterns.
- The global business environment makes alcohol harder to control.
- We have experienced gradual deregulation.
- We need to take a hard look at the lessons from this epidemic and redouble our efforts to ensure it doesn't infect us.

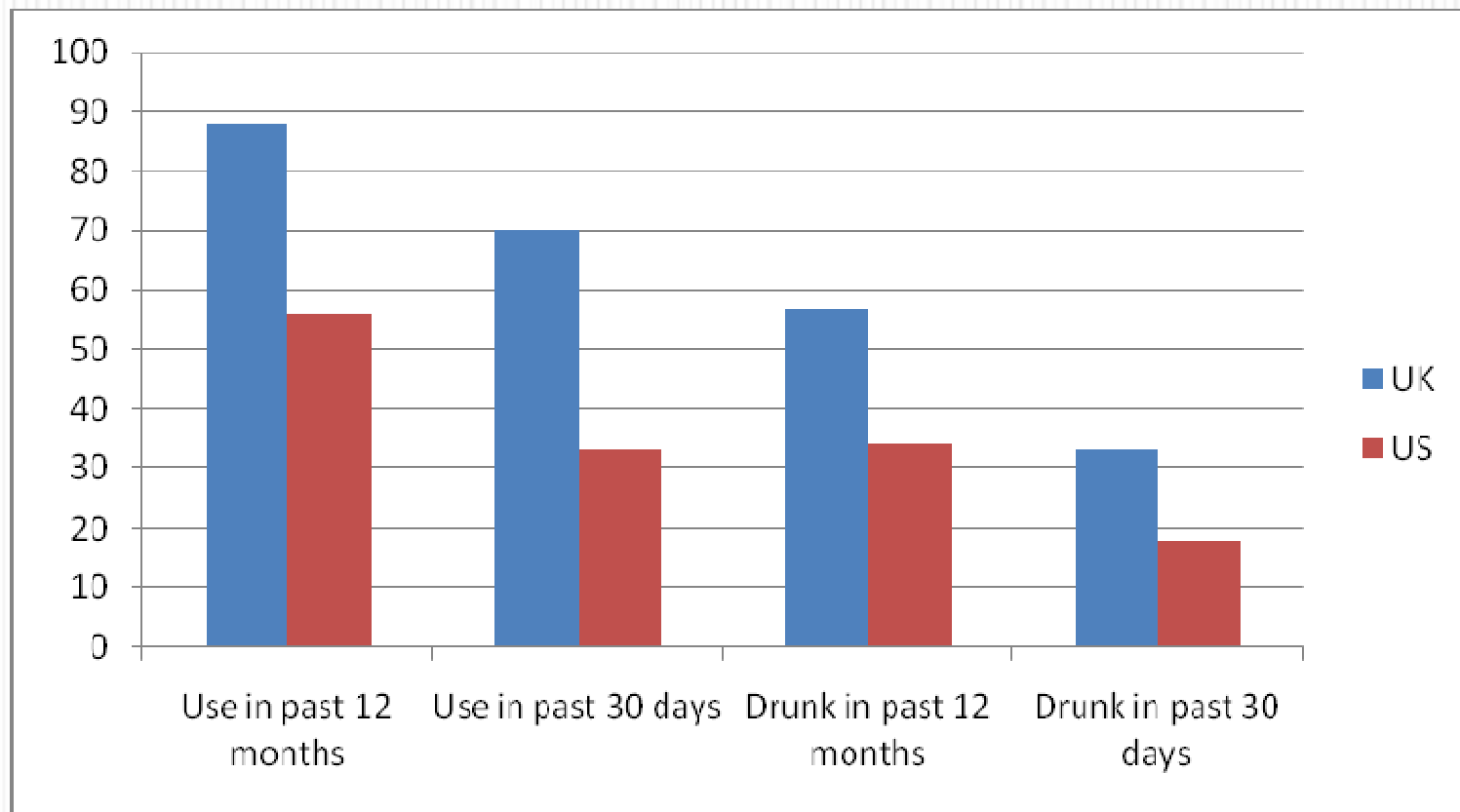
Snapshot of the epidemic: the UK ranks 8th among 43 countries in overall consumption

Per capita alcohol consumption in selected European and other countries
(liters of pure alcohol per inhabitant) among adults (≥ 15 years), 2003



Source: WHO Global Alcohol Database

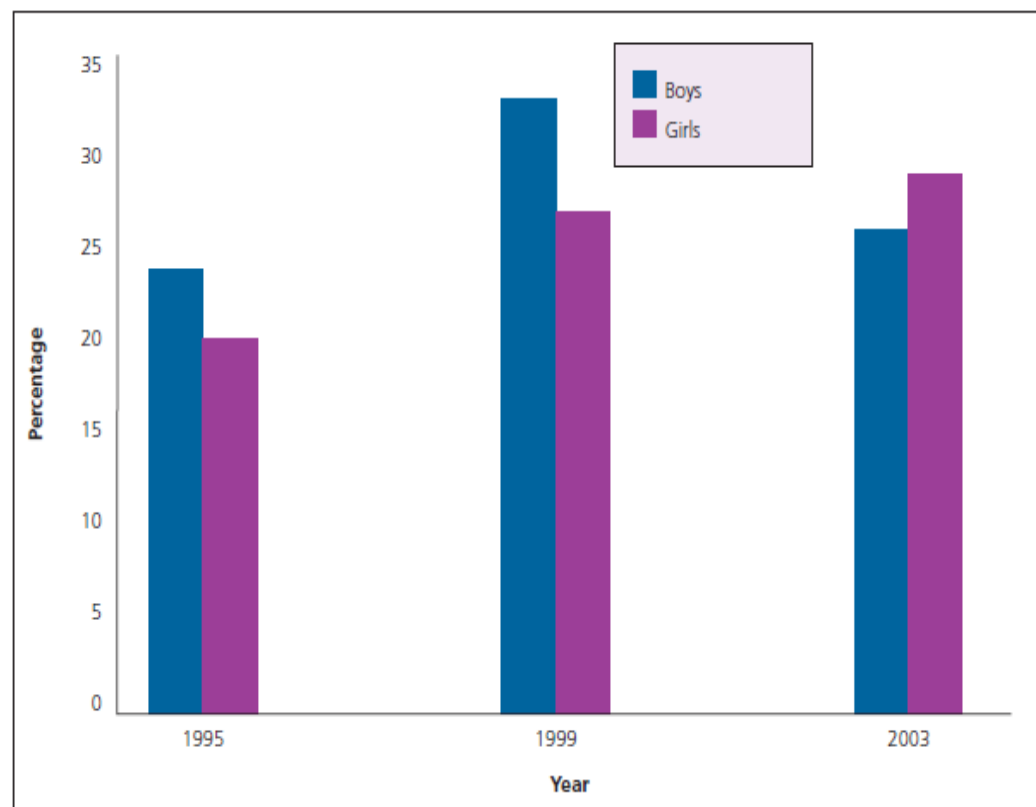
Youth are drinking at twice US rates!!



Source: 2007 European School Survey Project on Alcohol and Other Drugs, Percent intoxicated in past 30 days of 15-16 year olds.

Girls drinking exceeds the boys

Percent of 15-16 years olds consuming 5 or more drinks on 3 or more occasions in the past 30 days



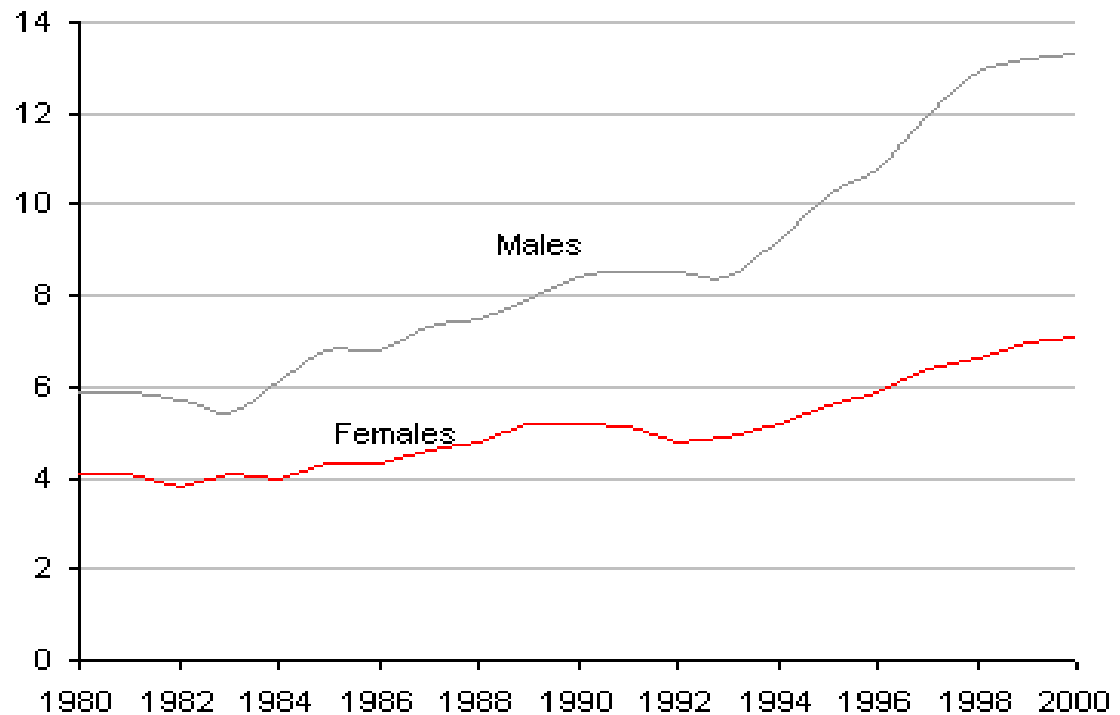
Source: Plant MA & Plant ML (2006) *Binge Britain: Alcohol and the national response*. Oxford: Oxford University Press.

Death rates for alcohol-related disease increasing for males and females

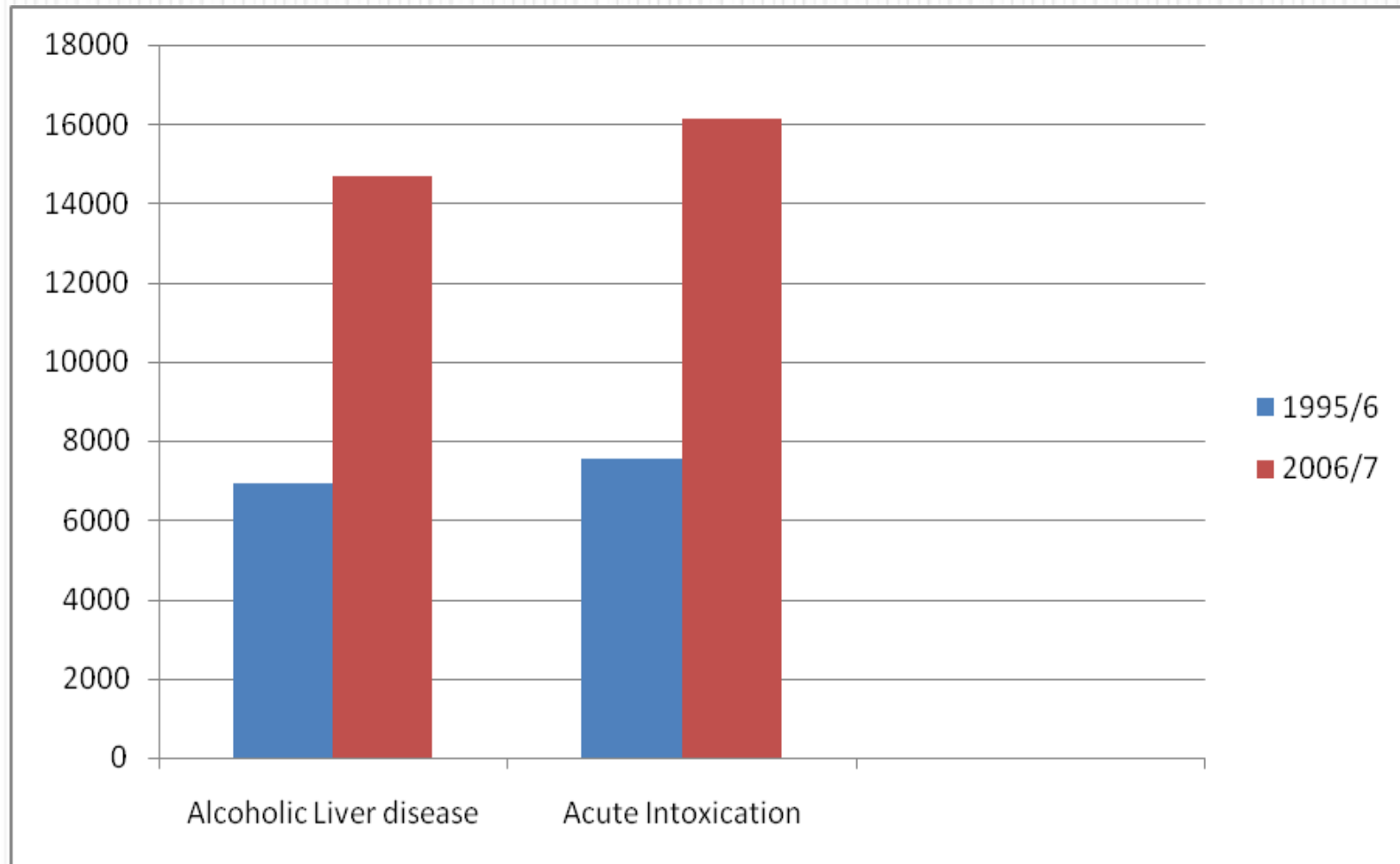


Death rates from alcohol-related diseases in England and Wales

Source: UK Office for National Statistics



Hospital Admissions for Alcohol Liver Disease and Acute Intoxication



Source: Hospital Episode Statistics, The Information Centre, 2008

Public disorder and violence in town centers

“The barwoman recognized our faces and thought the drinks were for the two of us. But she never stopped serving enough alcohol to kill each of us.” Anushka

Asthana, reporter for The Observer, who was sold 12 rounds of drinks.

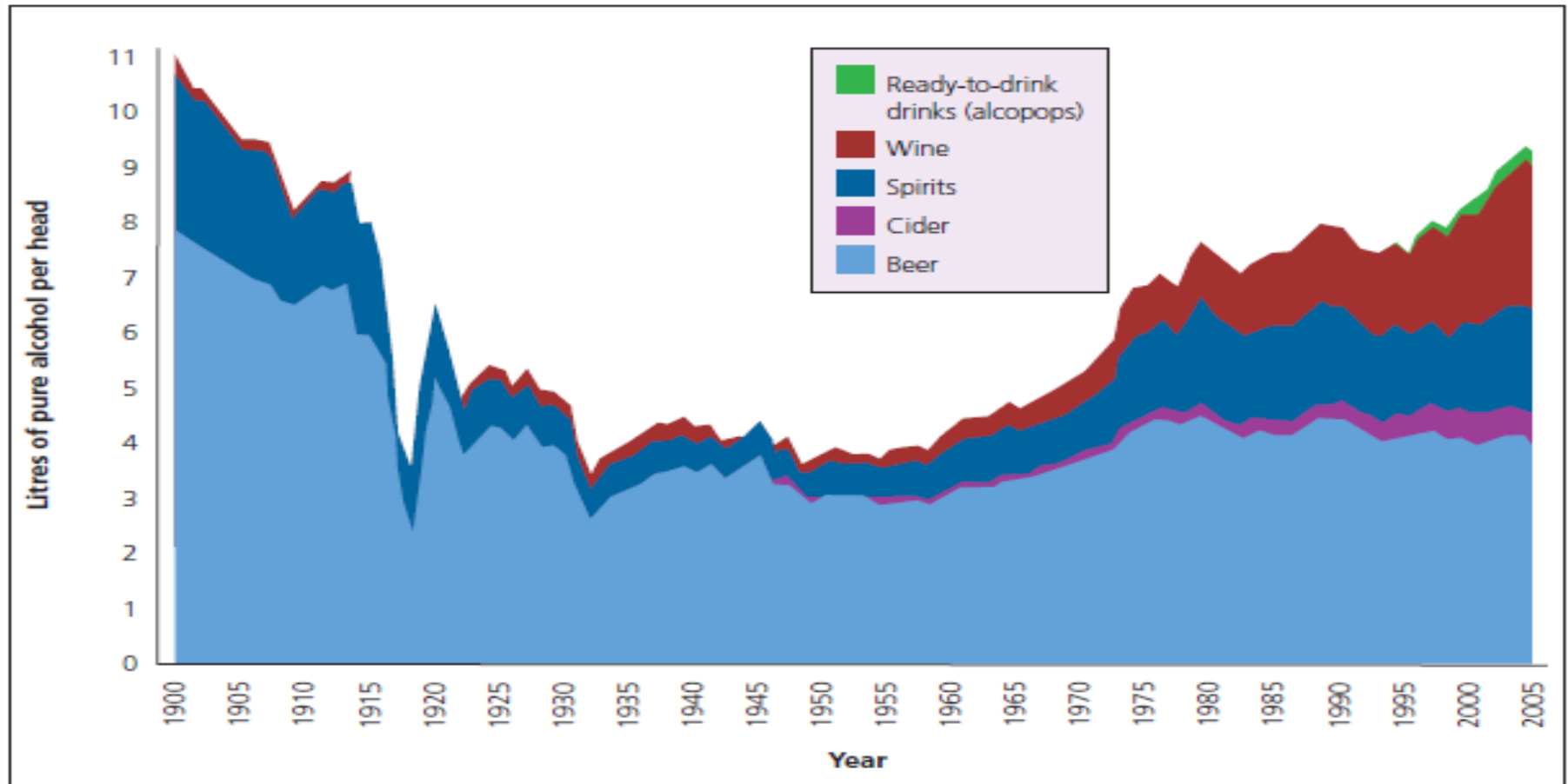
- Large increase in public disorder crimes around bars (vomiting, urination, fights, vandalism).
- Thirteen “Booze Buses” used for 2009 New Year’s Celebration to take revelers to the hospital.
- Serving practices promote rapid intoxication.
- “Predrinking” at home increases bar intoxication.

What propelled this epidemic?

“Since the Second World War, there has been considerable deregulation and liberalization of alcohol control policies in the UK. This has been accompanied by an increase in consumption levels and alcohol related problems...” British Medical Association, “Alcohol Misuse: tracking the UK epidemic.”

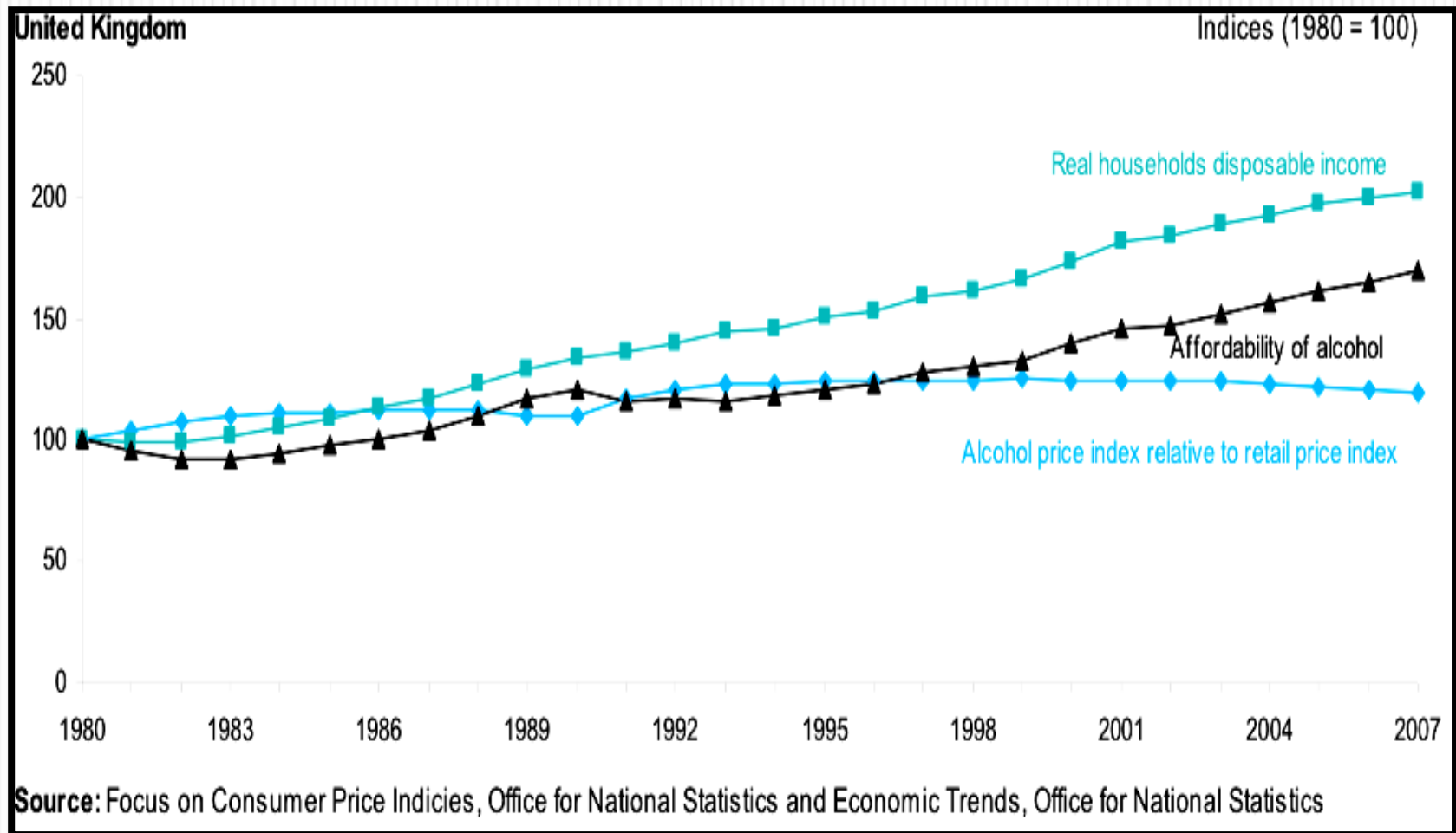
- All forms of alcohol sold in grocery stores beginning in the 1960's.
- Bar hours extended as were Sunday sales.
- Minimum age for drinking is 5!!!
- Age for purchase is 18 but poorly enforced.
- Licensing Act of 2003 permitted alcohol to be sold 24 hours a day in grocery stores, pubs and bars.

UK deregulation begins in the 1960s and is followed by increased consumption



Source: Statistical handbook 2007 (British Beer and Pub Association)

Affordability of alcohol increased over 65% between 1980 and 2006



High taxes have not prevented cheap alcohol!

Country	Spirits £ per 70cl bottle 40% ABV	Still wine £ per 75 cl bottle 11.5% ABV	Sparkling wine £ per 75 cl bottle	Beer £ per pint 5% ABV or 12° Plato	VAT rate %
Austria	1.9	0.00	0.00	0.10	20
Belgium	3.4	0.25	0.84	0.08	21
Cyprus	1.2	0.00	0.00	0.02	15
Czech Rep.	1.8	0.00	0.43	0.04	22
Denmark	3.9	0.43		0.13	25
Estonia	1.9	0.35	0.35	0.07	18
Finland	5.5	1.10	1.10	0.38	22
France	2.8	0.02	0.04	0.05	19.6
Germany	2.5	0.00	0.27	0.04	16
Greece	2.1	0.00	0.00	0.06	18
Hungary	1.6	0.00	0.24	0.09	25
Ireland	7.6	1.42	2.84	0.39	21
Italy	1.6	0.00	0.00	0.12	20
Latvia	1.8	0.22	0.22	0.03	18
Lithuania	1.8	0.23	0.23	0.04	18
Luxembourg	2.0	0.00	0.00	0.04	15
Malta	4.5	0.00	0.00	0.04	18
Netherlands	2.9	0.31	1.05	0.10	19
Poland	2.3	0.18	0.18	0.09	22
Portugal	1.8	0.00	0.00	0.06	21
Slovakia	1.5	0.00	0.33	0.07	19
Slovenia	1.4	0.00	0.00	0.14	20
Spain	1.6	0.00	0.00	0.04	16
Sweden	10.4	1.23	1.23	0.31	25
UK	5.5	1.25	1.65	0.38	17.5

Source: European Commission's Excise Duty Tables (Alcohol Beverages)

Large grocery chains are widely blamed for the epidemic as prices fall

*“The Competition Commission have found that five leading grocery retailers sold 38.6 million pounds worth of alcohol at **below-cost** during the 2006 World cup.”*
Institute of Alcohol Studies, 2008.

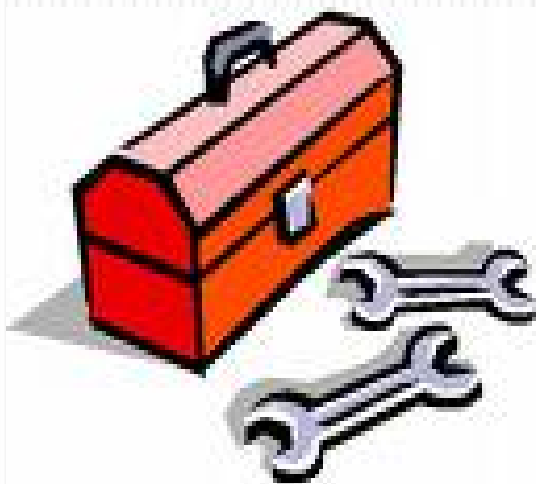
- Four large chains control 75% of the market.
- Most use alcohol as a “loss leader” sometimes selling below cost with heavy promotions.
- Drinking at home has increased as has the incidence of “pre-drinking” e.g. drinking at home before going out.
- The UK has no laws against volume discounts, promotions that induce heavy consumption or minimum prices.
- The large chains are locked in price wars. They can’t agree to increase prices as that would be illegal price-fixing.
- Industry favors education as a solution.

Decline of the Pub



- UK used to drink primarily beer in pubs versus drinking at home.
- Cheap alcohol in stores has changed that.
- Pub chains owned by large brewers (tied houses) were required to change due to monopolistic practices.
- Today's market: A few large global companies dominate the manufacturing sector, a few large global companies dominate the supermarkets. Retail chains still own large numbers of pubs.

UK has few tools to bring things into balance



- Deregulation robbed the toolbox.
- Underage drinking laws are weak—legal drinking age is 5! (Purchase age is 18).
- Enforcement is just starting—20 year moratorium on minor decoy operations recently lifted.
- Industry has major influence and prefers education programs.
- Many announced proposals to decrease price; little action.
- Tax increase started in 2008 seems to be pushing overall reduction in consumption but has contributed to the decline of pubs.
- UK does have tools to reduce drunk driving which has declined.

No tracking system to protect public from tainted product

- In 2007, thousands of liters of fake vodka were seized in Wales.
- Such products often contain methanol, a form of alcohol unfit for consumption. Consuming methanol can cause toxic hepatitis, a liver disorder that can cause blindness or death.
- The UK has no system to track alcohol; a new “duty stamp” system is vulnerable to counterfeiting.



What could government do?

“Complementary system strategies that seek to restructure the total drinking environment are more likely to be effective than single strategies.”

World Health Organization, What are the most effective and cost-effective interventions in alcohol control?

- World Health Organization suggests effective strategies use scientific evidence and multiple policies implemented in a systematic way.
- Science should be used to select policies. Science did not support 24 hours sales as a way to curb problems.
- UK government has relied too often on a single strategy (large tax increase) or a few strategies with weak enforcement.
- Licensing Act of 2003 has a few tools to enforce illegal underage sales, public disorder crimes and a large tax increase to be levied over 4 years.

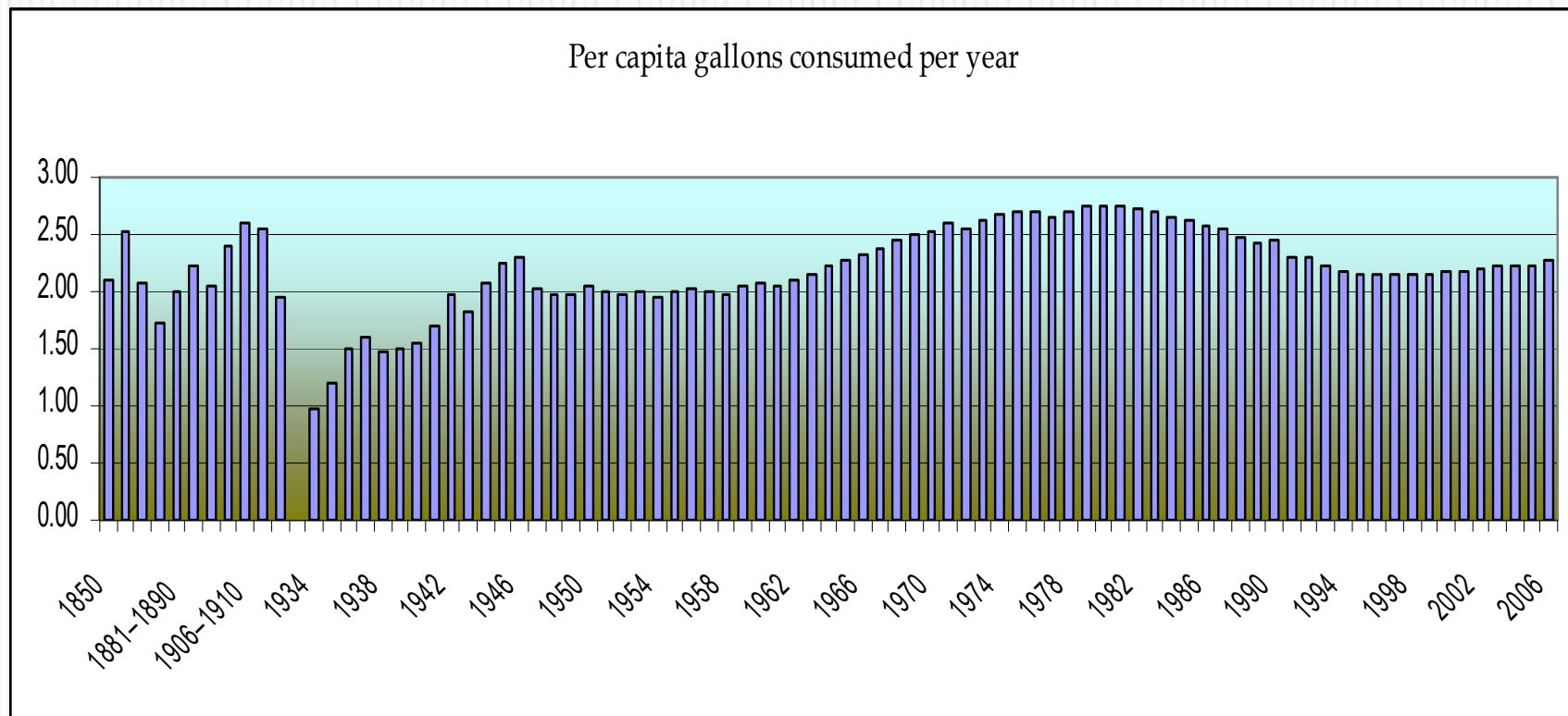
An effective alcohol control system should address price, availability, promotion, age restriction, drunk driving, and enforcement

- **Price:** Increase in price reduces consumption even among heavy drinkers and especially among youth. Increases can occur through taxation, minimum price levels and limits on price discrimination at the wholesale level.
- **Promotion:** restrictions on price-related alcohol promotions (“Two for one”); promotions to youth
- **Availability:** hours of sale, limits on number of outlets all decrease problems
- **Age restriction:** purchase, possession and drinking age
- **Drunk driving measures:** sobriety checks, random breath testing, BAC limits, driver’s license suspensions
- **Enforcement:** tools for law enforcement and attention to serving practices

Are trends in the US similar?

- Underage drinking is high but not as severe.
- Female drinking and alcohol disease is on the rise, but not as severe.
- Overall consumption is up, but leveling off.
- The US grocery market is consolidating, but top four do not control same amount of market share.
- Prices have declined over time making alcohol more affordable for youth and heavy drinkers.

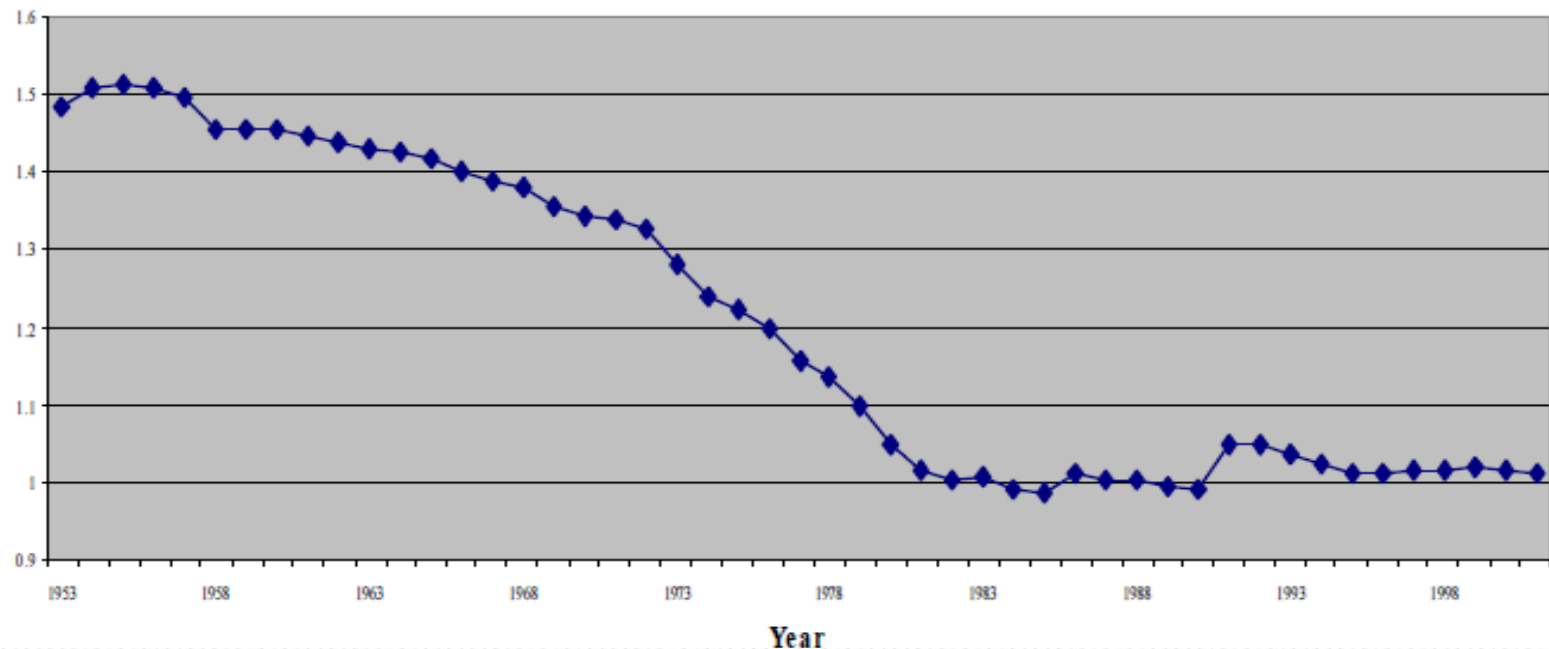
The US also has periods of high consumption



Source: Centers for Disease Control: Apparent consumption in the US 1850-2006.

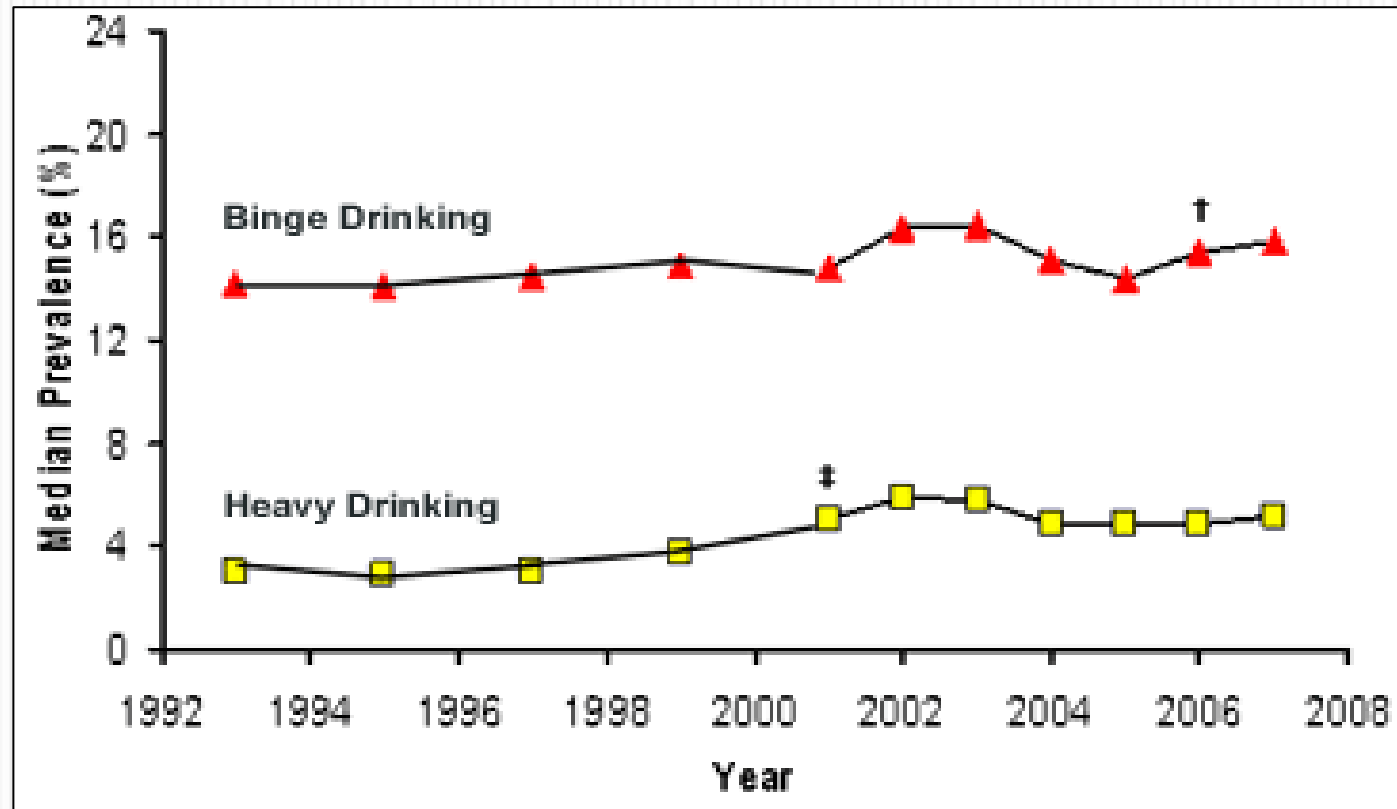
Alcohol is more affordable

Inflation Adjusted Alcoholic Beverage Prices, 1953-2001



Source: “Reducing Morbidity and Mortality through Alcohol Pricing and Taxation”, Frank J. Chaloupka, Director, ImpacTeen, University of Illinois at Chicago.

Increase in binge and heavy drinking



Source: Centers for Disease Control: Prevalence of binge and heavy drinking among adults in the US—1993-2007.

Underage drinking is no small problem



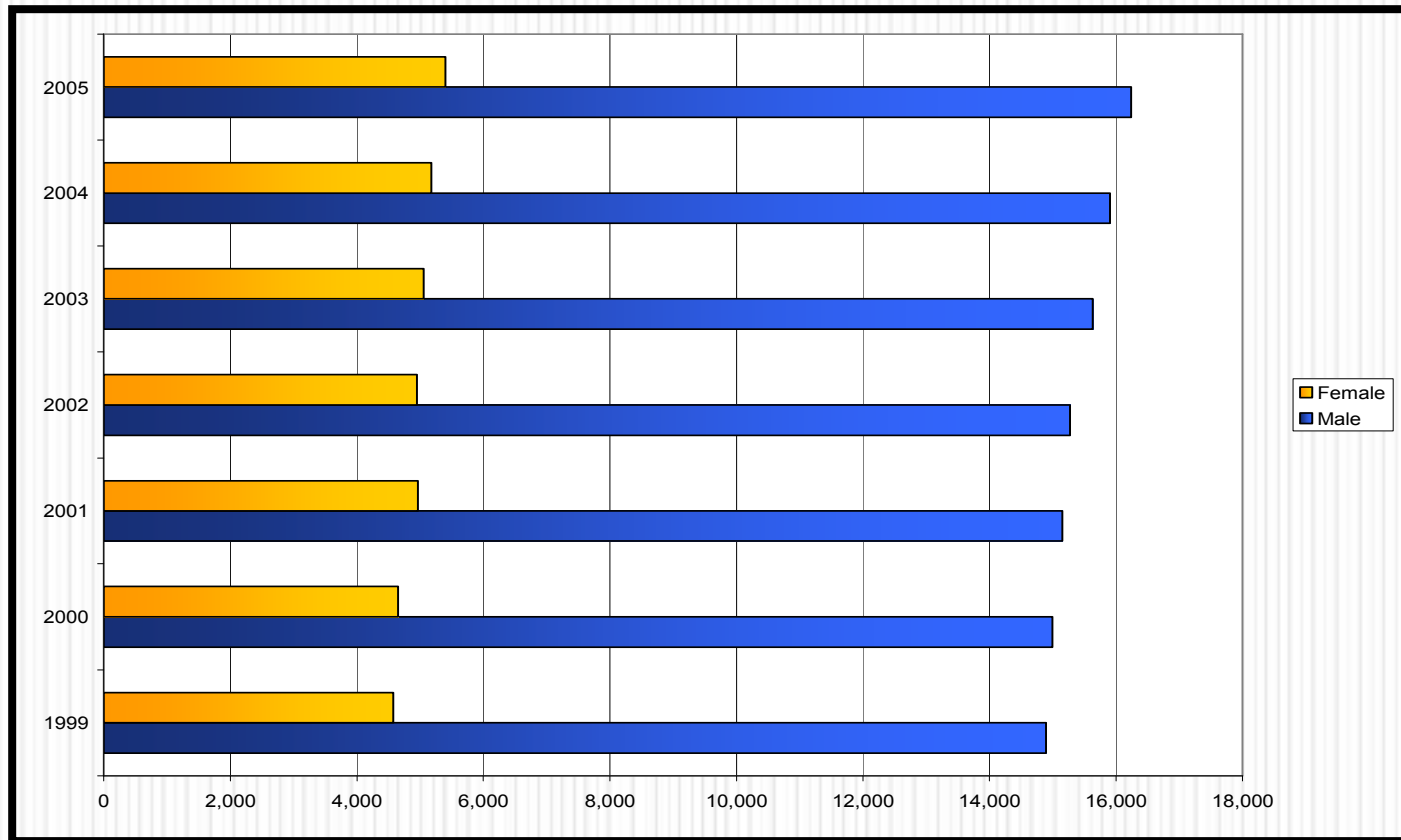
T-shirt advertised for sale by Urban Outfitters.

Females are drinking more

- *“...in the 1960’s, only 7 percent of girls reported having their first drink between the ages of 10 and 14; today, nearly one-quarter of all girls report beginning to drink alcohol before age 13.” US Substance Abuse and Mental Health Administration, website Fact Sheet.*

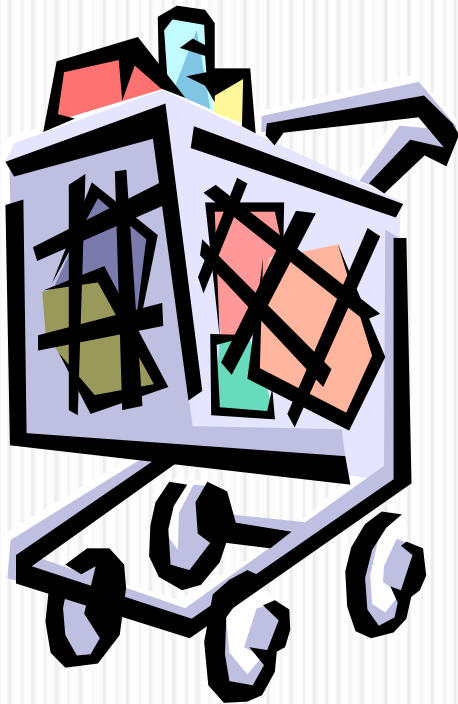


Alcohol induced disease is increasing for males and females



Source: Centers for Disease Control: Alcohol-induced deaths by gender.

The US grocery market is consolidating and promoting greater use of mass merchandising model for alcohol



“Top US Supermarket and Grocery Chains” (By 2007 Grocery Sales)

- | | | |
|---|-----------------|-------|
| • Wal-Mart/Sam’s Club | \$138.2 million | 26.4% |
| • Kroger | \$ 65.6 million | 12.6% |
| • Safeway | \$42.3 million | 8.1% |
| • Costco | \$35.3 million | 6.8% |
| • Others | \$241.2 million | 46.1% |
| • <i>Source: Food Marketing Institute</i> | | |

Mass Merchandising Model for alcohol: Cheap alcohol sold in high volume...coming to a store near you!

Elements required:

1. Large store chain
2. Wholesale volume purchase at discount
3. Warehouse
4. Distribution system
5. Retail sales at low prices, volume discount, heavy promotion, loss leader



US regulatory system protects the public from problems and keeps the market in balance

- Differences between US and UK that protect us:
 - US has a comprehensive alcohol regulatory system with multiple measures to control price, availability, promotions and products.
 - Change to the US alcohol market would require change in all states.
 - US has strong enforcement system to address underage drinking: age restriction laws, enforcement programs, public support mechanisms.
 - States usually enforce practices against serving to intoxicated individuals.
 - Each state has a system that separates retail, wholesale, and manufacture sectors. Prevents the “mass merchandising model” from complete implementation. The “model” could bring price wars, major discounts and other means of achieving very low prices.
 - The system also provides tracking of all alcohol products to prevent problems with counterfeit and tainted alcohol.

US enforces underage drinking laws and uses publicity to enhance it

High school student campaign



Education campaign for parents

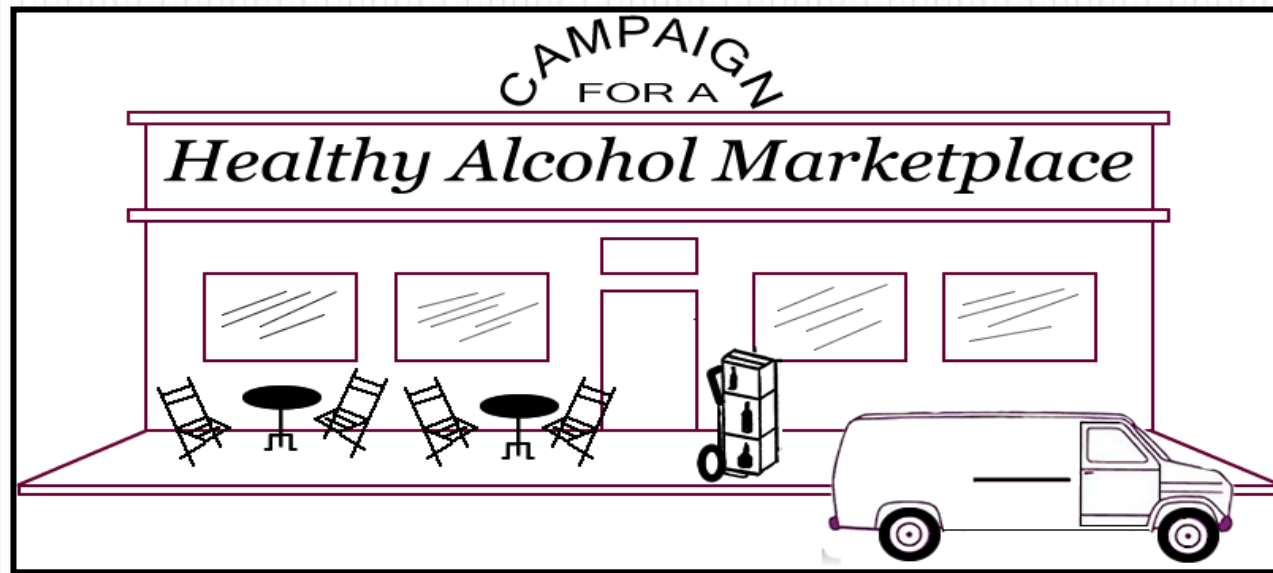


Danger ahead: Hold onto your regulatory horses!

- Lawsuits could invalidate regulations.
- Retailers are poised to continue lawsuits.
- Few policy-makers understand and value marketplace regulations.
- During bad economic times, policy-makers are vulnerable to arguments that deregulation can save jobs.
- Deregulation tends to happen gradually over time.

The court found no “persuasive evidence that the purpose of any of the challenged restraints was to promote temperance by raising average beer and wine prices.” And, the state “could readily achieve that goal in a manner that does not run afoul of the Sherman Act. Most obviously the State could adopt higher excise taxes.”

- *US District Court, Costco v. Hoen*



- Education is needed for policy makers, regulators, attorneys general, prevention/public health and enforcement.
- Educational tools: Monthly newsletter, educational pieces, PowerPoint presentations at conferences, outreach to groups in individual states and to local coalitions.
- New report: “The Dangers of Alcohol Deregulation: the United Kingdom Experience,” available at www.healthyalcoholmarket.com.

For more information contact: Pamela Erickson, pam@pamaction.com



- **www.healthyalcoholmarket.com for Healthy Alcohol Marketplace newsletter and resource material**